

1 October 1957

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MEMORANDUM FOR: [REDACTED], Secretary,
IAC Ad Hoc Committee on Exchanges
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FROM : [REDACTED] Chairman,
EIC Subcommittee on General Economic Analysis

SUBJECT : Soviet Long Term Exchange Proposal
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REFERENCE : [REDACTED] Memo dated 18 September 1957

1. Your memorandum of 18 September requested an assessment of the possibility of a three to six month exchange in the field of banking and economic planning. The statements below have been coordinated with the members of the subcommittee and with representatives of the Federal Reserve Board.

2. The subcommittee previously reviewed the proposal by the Federal Reserve Board for a one month exchange in the field of banking operations. We are still strongly in favor of this proposal and hope that it can be reactivated. We do not see a great deal of added advantage to extending the duration of the exchange visit to three to six months. It would be difficult if not impossible for high level people to take this much time. If our delegates could be fully integrated for six months into such USSR agencies as the Ministry of Finance, the State Bank, the State Planning Commission, and the Regional Councils there would obviously be a great

25X1X1 [REDACTED] However, it is equally obvious that the Soviet Government, even if they accepted such a proposal, would isolate the visitors in such a way that they would actually learn nothing new about the operation or policies of these agencies. The subcommittee feels that an exchange on central banking of the scope and duration proposed by the Federal Reserve Board has [REDACTED]

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3. Going beyond the field of banking and economic planning the subcommittee has an additional proposal which we call to your attention. It seems to us that a very feasible and fruitful long term exchange would be an exchange of students and faculty between Soviet and US academic institutions and private research organizations. Some initiative in this regard has already been taken by Harvard and Columbia Universities. Both institutions have proposed student and faculty exchanges between their respective Russian Research centers and appropriate Soviet counterparts in unspecified fields of study. Furthermore, exchange of students and university delegates was included in the Soviet proposal for the agenda of the October exchange discussions (aide-Memoire dated 12 September 1957).

4. Presumably this type of exchange would cover all academic fields including economics. With regard to the latter, we recommend that both graduate students and members of economic faculties be included in the exchange. The exchange period should not be limited to six months but should be in most cases for an academic year. The US would be represented

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by the Soviet area research centers mentioned above, certain leading graduate schools of economics (Harvard, Chicago, Columbia), outstanding graduate schools of business and industrial economics (Carnegie Tech., MIT, Harvard), and private economic research organizations (National Bureau of Economic Research, Resources for the Future). The USSR would be represented by Moscow University and leading provincial universities, the Academy of Sciences and its affiliated research institution, and perhaps the professional economic training components of governmental ministries and organizations.

5. Although the exchange will not result in revelation of new official statistics, it will serve to establish a professional rapport which will pay off in our increased understanding of vital Soviet economic concepts, measurements, and policy directions. Although academic discussions of theoretical principles may appear to be unrelated to the course of events, most theoretical controversies either precede or follow some major policy innovation and often contribute to our understanding of their expectations of the new policy and provide insights as to thoughts on the deficiencies and strengths of the system. The recent flood of official statistics and our attempts to extract new meaning from them have made us all the more aware of our incomplete understanding of Soviet measurement techniques. Contacts with academic economists would help to fill many of these gaps. In addition to these direct gains the opportunity to develop intimate contacts with Soviet students and academicians will certainly shed additional light on the attitudes of an influential section of the population. These contacts can develop not only when our delegates visit the USSR but when Soviet delegates visit the US.

6. Since our statistical measurement procedures are more widely publicized than theirs, there would be less gain for USSR in this regard. Pragmatically they would have most to learn by studying US business managerial practices and industrial economics. Exposure to our techniques of economic analysis would enable USSR economists to better understand both the strengths and weaknesses of the US economy than is possible within the rigidities of the Marxian dialectic. However, this advantage may not be evident to Soviet officials.

7. The Soviet note indicates that the USSR will probably not reject the principle of academic exchanges. They may in practice, however, severely limit the number of such exchanges and may discriminate against the social sciences, especially economics and within the latter, against general economics in favor of industrial economics. We suggest that not only the principle but also the number of people and the academic fields covered be a matter for negotiations. In economics a half dozen or more students and faculty members could usefully be exchanged annually.

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Soviet area scholars at the faculty level would be by far the most effective.

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